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03 October 2000

RULES PROCESSING TEAM

OCT 6 - 2000

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ATTN: Rules Processing Team (Comments)

RE: RIN 1010-AC43, NPRM dated 21Jun00

Noble Drilling Corporation and its subsidiaries own and operate 49 Mobile Offshore Drilling Units with 20 units operating in the Gulf of Mexico. Noble offers the following comments on the Notice of Proposed Rulemaking contained in the 21Jun00 Federal Register, 65FR38453.

Preamble:

- **Reference Minimum Accumulator Requirement for Subsea BOP Systems (Page 38455)**

The reference to section 12.3 of API RP 53 should be section 13.3, Accumulator Volumetric Capacity for subsea BOPs.

- **Reference Minimum BOP Maintenance Requirements (Page 38455)**

In the final paragraph of the Preamble discussion of Minimum BOP Maintenance Requirements, MMS requested comments on incorporating all of API RP 53 by reference. This recommended practice is a general practice developed by the petroleum industry. It lacks sufficient specificity to incorporate the entire RP. Noble only supports the incorporation of the specified sections.

- **Automatic Pipe Handling Systems (Page 38456)**

The only Coastal State administration with this requirement is Norway. They have granted exemptions to this requirement in the past (Noble Al White). Even with a pipe handling system, we still must carry a full crew, plus additional maintenance personnel and technicians to carry out traditional drilling operations and service the equipment when it goes down.

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Each new piece of technology also comes with its own inherent safety problems. For example, the pipe racking systems have either raised or recessed tracks that present tripping hazards to personnel working on the drill floor. Noble has documented loss time incidents resulting from trips/falls over the tracks.

The only ways that Noble sees it is feasible to install automatic pipe handling systems are during the conversion of existing rigs or new construction. We see that only our deep water jack-ups would be candidates due to available space. Even then, the installation must be economically feasible. Operators will be unwilling during good times to take a rig out of service for the period of time to add the pipe racking system and associated changes to the drill floor, derrick, dragway, pipe racks, etc. Once installed, there is considerable impact on available space, lightship and variable deck loads (afloat and elevated) that will have long term monetary impacts on drilling contractors (i.e., break even day rate, less room for operator equipment, supplies, etc.).

Noble is concerned that MMS may require the rig to shut down if the automatic pipe racking system malfunctions in lieu of reverting to traditional pipe handling. If this is the case, Noble opposes mandatory use of automatic pipe handling systems given the lack of reliability of the systems currently on the market.

Information on costs for systems:

- Noble has installed the VARCO PRS-4 pipe handling system on six of its semi-submersible conversions. The average cost of the system has been on the order of \$4,000,000.
- We have a quote for a National Oilwell Hitec HIRACK Pipehandling System for a jack-up conversion that we planning. The installed price with the associated changes to the drill floor, derrick, etc., will amount to about \$2,000,000.
- Estimated Costs of Additional Drilling Requirements (page 38461)

In the MMS Estimated Costs of Additional Drilling Requirements, you have underestimated the hourly rate for rigs in the GOM. As of 22Sep00, Noble's average day rate for the Gulf of Mexico was in excess of \$66,200, or about \$2760/hour. This is significantly higher than hourly rig rate of \$850 used in the MMS calculations. This would put the total annual costs for 700 wells at about \$2,000,000 using Noble's hourly rate. Although this is nearly a three fold increase, the MMS conclusion is correct in that the increased cost per well for one hour addition rig time is insignificant in comparison to the total well cost, which you estimate at \$5,000,000.

Comments on the NPRM:

§250.404 What mobile drilling unit movements must I report?

This proposed rule duplicates the US Coast Guard requirements to report MODU movements and establishment of new positions under 33 CFR Parts 67 and 72. While the proposed rule affects the lessee, the MODU owner is reporting the required information to the USCG. I recommend that the MMS and USCG share this information so that you can eliminate a reporting requirement.

§250.417 What information must I provide if I intend to use a mobile drilling unit to drill a proposed well?

The proposed §250.417(c) states that the District Supervisor may require a third-party review (Certified Verification Agent, or CVA) for the unit's design in accordance with §250.903. Although the proposed regulation fails to specify exactly which elements of the unit's design are subject to third-party review, the reference to §250.903, which in turn refers to §§250.904 through 250.911, clearly implies that it is the unit's structure that is to be verified. This is problematic in that:

- 1) In the December 1998 MOU between the MMS and the U.S. Coast Guard, the responsibility for structural integrity of MODUs, including the design environmental conditions, structural integrity, modifications for construction and repair (item 2) and structural inspection requirements (item 24.a) have been vested in the U.S. Coast Guard;
- 2) The U.S. Coast Guard's regulations at 46 CFR 107.279 and 108.113 clearly define the structural standards for MODUs, so that regulation in this area by the MMS would be redundant and counter to the intent of E.O. 12866;
- 3) MMS has failed to identify the structural standards to be applied to MODUs; and
- 4) 30 CFR 250.903 requires that the verification be carried out under the supervision of a registered professional civil or structural engineer. MODUs are typically designed by naval architects, so it is unlikely that a registered civil or structural engineer would be considered competent to supervise the verification.

The proposed paragraph (h) implies that MMS maintains MODU specific files. However, there appears to be no congressional mandate for MMS to coordinate vessel related matters directly with the vessel owner/operator (not lease holder). This action would be in the best interests of the vessel owner/operator as it would allow our rigs to move more freely within the Gulf of Mexico. Noble recommends that MMS pursue obtaining a change in the law to allow MMS to maintain vessel files and coordinate vessel matters with the vessel owner/operator in the same manner as the US Coast Guard.

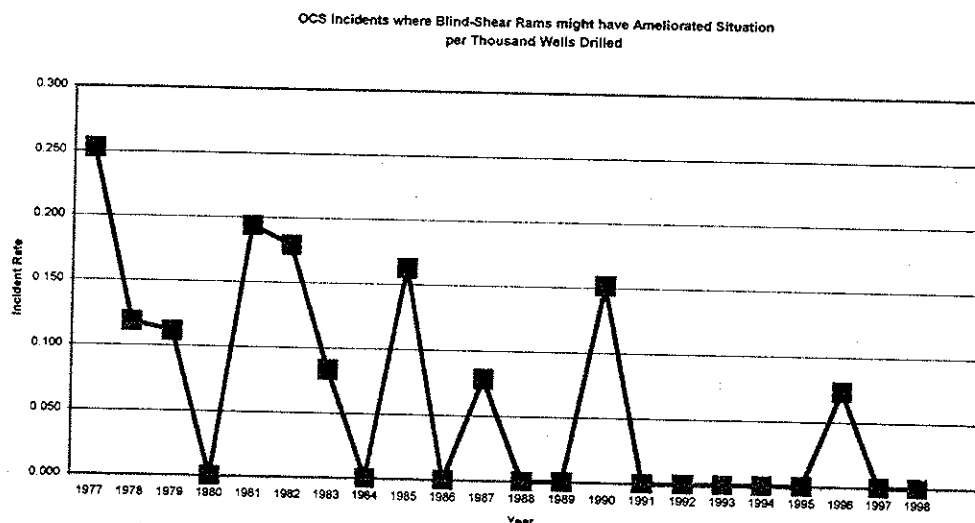
§250.442 What are the requirements for a surface BOP stack?

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MMS estimates that the average BOP Stack modification with a blind shear ram will cost about \$175,000 (page 38462 of Preamble). Noble Drilling has 15 stacks that will need modifications. This amounts to \$2,625,000 impact on Noble Drilling alone.

The justification is that the requirement for the blind shear ram will prevent or minimize one blowout every two years (Preamble – Regulatory Planning and Review, page 38458), thereby eliminating the damage (rig, well, environment) and personnel casualties. The preamble states that MMS estimates that the installation of a blind shear rams would have prevented or minimized 12 blowouts over a 23 year period. However, on review of the data provided to IADC on 17Jul00, there have been only two blowouts in the last 10 years that MMS has indicated that shear rams may have prevented or minimized. From appearances, advances in other technologies and better training may have lessened the risk of blowout, and thereby the need to equip surface stacks with blind shear rams. Additionally, the data presented to IADC clearly shows that when a trend line is applied, the trend line approaches ZERO. Noble recommends that MMS delete the proposed addition of the blind shear ram requirement.



Based on data gathered by IADC, there are more than 160 BOP stacks that require blind shear rams. With this many stacks to convert and the limited number of suppliers, the proposed one year implementation period is not feasible. If MMS retains this proposal in the final rule, Noble recommends a three year implementation scheme to allow manufacturers to produce the required number.

§250.442 What are the requirements for a subsea BOP stack?

Noble concurs with the incorporation by reference of API RP 53, Section 13.3, in the proposed paragraph (b).

§250.446 What must I do maintain and inspect my BOP?

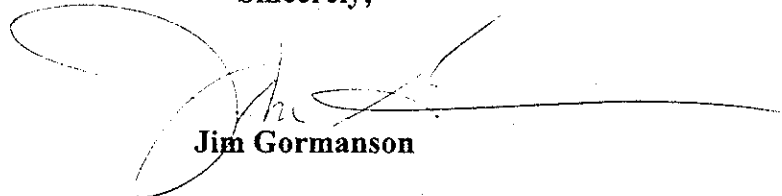
Noble concurs with the incorporation by reference of API RP 53, Sections 17.10 and 18.10 (Inspections), Section 17.11 and 18.11 (Maintenance) and sections 17.12 and 18.12 (Quality), in the proposed paragraph (a).

§250.459 What are the safety requirements for drilling fluid-handling areas?

The proposed §250.459 requires that drilling fluid handling areas, both on MODUs and platform drilling rigs, be classified according to API RP500, and imposes ventilation requirements for such spaces. For MODUs, the December 1998 MOU between the MMS and the U.S. Coast Guard (items 14.d and 19) assigns regulatory responsibility in this regard to the U.S. Coast Guard. The Coast Guard's regulations at 46 CFR 108.170 to 108.187 clearly address these matters, as do Classification Society requirements applicable to MODUs. Accordingly, we believe that regulation in this area by the MMS is redundant and counter to the intent of E.O. 12866.

Thank you for the opportunity to participate in the rulemaking process. If you have questions about the comments, please contact me at the address and telephone numbers shown on page 1 of this letter.

Sincerely,



Jim Gormanson

cc: Dave Beard
Jimmy Puckett